

Jim Gibbons
Governor



Tara Hagan
Executive Officer

**Nevada Public Employees' Deferred
Compensation Program**

COMMITTEE

Jim Barnes, Chair
RETIRED

Rex Reed, Vice Chair
NDOC

Diane Comeaux
DCFS

Brian L. Davie
LCB

Andrew MacKay
NTA

**DEFERRED COMPENSATION COMMITTEE
MEETING MINUTES FOR**

Cameron Vandenberg
Deputy Attorney General

Thursday, August 19, 2010, 9:00 AM

The third quarterly meeting of the Nevada Deferred Compensation Committee was held on Thursday, August 19, 2010, at 9:00 a.m. in Room 2135 of the Legislature Building, 401 S. Carson St., Carson City, NV. A copy of this set of "meeting minutes," including the agenda, the audio recording and other substantive exhibits, is available on the Nevada Deferred Compensation (NDC) website at: http://defcomp.state.nv.us/NDC_MinutesMeetings.htm. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (e-mail: publications@lcb.state.nv.us; telephone: 775.684.6835).

STAFF and ATTORNEY PRESENT:

Tara Hagan, Executive Officer
Jenny Potts, Secretary
Christine Monroe, Deputy Attorney General

OTHERS PRESENT:

Bill Abramowicz, Hartford
Bishop Bastien, ING
Scott Craigie, Hartford
James Crawford, Retired
John Crawford, Retired
John Crosley, Retired
Kent Ervin, UNR
Michael Hackett, Hartford
Eileen Kwei, Mercer
Steve Platt, ING
Scott Satalino, ING, (by phone)
Doug Skelley, Hartford
Carl Steinhilber, ING (by phone)
Todd Theroux, Hartford (by phone)
Robert Trenerry, Hartford
Steve Watson, Hartford

These minutes are a draft subject to approval by the Deferred Compensation Committee at the next regularly scheduled meeting. The agenda for this meeting was posted according to the Nevada Open Meeting Law and was sent to groups and individuals as requested.

I. COMMITTEE

A. Call to Order/Roll Call ([Audio: 8:58AM](#))

The 3rd quarterly meeting of 2010 of the Deferred Compensation Committee was called to order by Chair Mr. Jim Barnes at 8:58 am, August 19, 2010, in Room 2135 of the Legislature Building, 401 S. Carson St., Carson City, NV. Members Present: Vice Chair Rex Reed, Mr. Andrew MacKay, Mr. Brian Davie, and Ms. Diane Comeaux. Deputy Attorney General (DAG) Cameron Vandenberg was excused and DAG Christine Monroe attended in her absence.

B. Approval of the minutes of the meeting on May 20, 2010* ([Audio: 8:59AM](#))

Motion made by Vice Chair Rex Reed to approve the minutes for the May 20, 2010 meeting, seconded by Mr. Brian Davie. Motion passed unanimously. (Please see [Exhibit A](#)).

C. Meeting Dates* ([Audio: 8:59AM](#))

Staff updated the Committee on the 2011 meeting dates. (Please see [Exhibit A-1](#)).

Motion made by Vice Chair Rex Reed to approve the 2011 meeting dates, as submitted or amended, seconded by Ms. Diane Comeaux. Motion passed unanimously.

II. ADMINISTRATION

A. Cost Reduction: Discuss and act upon staff changes and altered operations to reduce plan costs* (As directed by the Chair Mr. Jim Barnes, this agenda item was taken out of order.) ([Audio: 9:01AM](#))

Ms. Diane Comeaux noted that the Governor's Office has requested the Committee review its budget in light of the economic situation in Nevada. Ms. Comeaux stated this request is not unique to this Committee and indicated the Governor's Office is simply requesting all Boards and Commissions review their budgets and, if possible, find ways to streamline and reduce costs. (See [Exhibit A-2ii](#)).

Ms. Comeaux stated the Governor's Office made recommendations which include the consideration to eliminate the Executive Officer position. She noted that the Committee made a unanimous decision a few years ago to request this position which, in light of the Governor's letter, should be reexamined and discussed today.

Ms. Comeaux recited the letter from the Governor's office and Staff's memo. (See [Exhibit A-2](#) and [Exhibit A-2i](#)). She noted Staff's memo provides recommendations for reductions beyond those noted by the Office of the Governor. Ms. Comeaux further stated it's the Committee responsibility to address these issues rather than simply looking to Staff for recommendations. Ms. Comeaux noted Staff has taken the Governor's Office request for reductions, prior to this letter, very seriously and implemented savings in travel, printing and consulting fees, along with furloughs once per month.

Chairman Barnes asked if anyone in the audience, including former Committee members, wanted to speak on this issue.

Ms. Comeaux noted that, when the Committee voted unanimously a few years ago to request an Executive Officer position for this Plan, the Committee believed that Participants deserved to have a professionally managed plan, with appropriate checks and balances, which enable the Committee to meet its fiduciary responsibility. Ms. Comeaux acknowledged that prior to the Plan having professional staff; all activities currently being completed by staff rested with the Committee, and simply did not get done. Ms. Comeaux opined that with reductions in her staff and mandatory furloughs, she has even less time to devote to these types of activities.

Motion made by Vice Chair Rex Reed to reject the first bullet point in the Governor's letter which recommends the elimination of the Executive Officer position, seconded by Ms. Diane Comeaux.

Ms. Comeaux requested the Committee have a discussion regarding affirming the vote to maintain a professionally managed plan or a discussion to change this policy.

Mr. Andrew MacKay noted the Governor's letter is appropriate and does allow the Committee to reduce other operating costs to accomplish a similar result. Mr. MacKay supports the motion for several reasons which include, eliminating the Executive Officer position would be a tantamount shift in the current operations of the Plan, concerns surrounding how the Committee would receive information, or how the work would be accomplished. Mr. MacKay stated the Executive Officer is tasked with growing the Plan, he iterated the many benefits accruing to the Program and participants from a larger plan, and he indicated the program currently is on the right path. He noted that he is in favor of trimming the budget in other ways, due to the fact that he does not believe he could adequately do his job without the Executive Officer position. He emphasized the need to build and maintain momentum for the program which the Staff is developing.

Mr. Brian Davie stated that he also understood the Governor's position regarding the budget issues; however, he noted concerns with the content and timing of the letter. Mr. Davie noted the letter was inaccurate in some of its statements and assumptions; in addition it failed to consider the Committee's fiduciary obligation to the Plan and its Participants. Mr. Davie opined that the message from the Governor is inconsistent with a letter received six weeks ago which encouraged department heads to allow Staff to present meetings for employees regarding the importance of Deferred Compensation. (Please see [Exhibit A-2iii.](#))

Mr. Davie indicated he too is in favor of the motion and noted Staff has been exploring cost savings over the past several months, such as reductions in consulting fees, printing and postage costs, and renegotiating the current office lease. He stated the Plan attempted to obtain state-government office space in the beginning; however, the Buildings and Grounds Division did not have space available. He noted the Plan, like all other executive branch agencies, utilizes this division for lease space and does not make any independent decisions in that regard. Mr. Davie pointed out that this Committee is charged by law with administering the Plan for the sole benefit of Participants and a professionally managed plan is in the sole benefit of the Participants. Mr. Davie stated the Plan would not have known it could pass along excess revenue to Participants without the knowledge of the Executive Officer. He indicated a move away from professional managed staff would force this plan back into the Stone Age.

Vice Chair Rex Reed stated he is in favor of the motion due to concerns with the ability to meet both the Committee and Participant fiduciary responsibility. Mr. Reed stated professional staff is needed to assist the Committee in understanding the intricacies of this industry and the Executive Officer is instrumental in fulfilling these fiduciary duties. He indicated the discussion to save money is not about saving money for the State's General Fund but rather about saving monies for the Participant. He opined that since Participant fees pay for Plan expenses, any amount saved will directly impact Participants.

A discussion regarding [Exhibit A-2iii](#) ensued between Mr. MacKay and Mr. Davie.

Chair Mr. Jim Barnes stated he supports the Governor's letter in its entirety due to the notion of the need to return as much monies as possible to the Participants.

Mr. Davie stated that not all Participants receive monies due to the Plan's di minimis policy not to return credits of less than \$10 to Participants. He noted that due to this policy, Participants with higher account balances receive the majority of excess monies. Mr. Davie mentioned that although he supports this policy it's important that Participants understand that not everyone benefits from the additional monies. He also noted that the Plan did not request these amounts in the contract negotiation rather that the service providers offered these amounts as an indication of their commitment to the Plan. Mr. Davie noted that the Plan will have a much better estimate regarding its expenses for the next contract period and these excess amounts may no longer be applicable.

Vice Chair Rex Reed restated his motion to reject the first bullet point in the letter from the Governor's office which recommended the elimination of the Executive Officer position.

The motion passed with 4 in favor and 1 opposed with Chair Mr. Jim Barnes in opposition.

Mr. Reed noted the second bullet point in the Governor's letter which requested the creation of an Executive Assistant position is moot and he moved to table this bullet point. Mr. Davie seconded. Mr. MacKay rejected the motion stating an action item is not necessary. Mr. Reed withdrew his motion and Mr. Davie withdrew his second.

Motion made by Vice Chair Rex Reed to accept the next recommendation to move the Plan's operations from non-state owned office space to state-owned office space, once the lease is expired. Motion seconded by Mr. Brian Davie. A discussion ensued regarding state-owned office space. **Motion passed unanimously.**

Ms. Comeaux requested Staff provide the Committee with an explanation regarding the service provider contractual credit amounts and how these monies are returned to Participants. Staff indicated the service providers' contracts commit \$525,000 (\$435,000 Hartford and \$90,000 ING) per year for Program expenses. Staff noted unused amounts are returned to the Participants in accordance with the Plan's policy. Ms. Comeaux noted that this fiscal year's expenditures are expected to be \$400,000 and then questioned if the \$125,000 will be returned to Participants, assuming no further reductions in the budget. Staff noted Ms. Comeaux's statement is correct.

- B. Biennium Budget (FY 12-13) Discussion (including Performance Indicators)* (As directed by Chair Barnes, this agenda item was taken out of order.) ([Audio: 10:01AM](#))

Motion made by Vice Chair Rex Reed to accept Staff's recommendation to eliminate 100% of out of state travel. Motion was not seconded. (Please see [Exhibit A-2i](#) and [Exhibit A-3](#))

Mr. Brian Davie questioned whether Staff's recommendation includes the elimination of both current and biennium out of state travel. Staff indicated the recommendation does include both current and biennium travel. **Mr. Brian Davie made a motion to accept the Staff's recommendation to eliminate all out of state travel. Mr. Andrew MacKay seconded the recommendation for purposes of discussion.**

Ms. Comeaux noted support of the elimination of out of state-travel for the biennium; however, she expressed concern with, at this late date, requiring Staff and Members to attend a conference and not provide reimbursement for expenses.

Mr. MacKay questioned if not sending Committee members to this conference creates a concern regarding fiduciary duties. He noted that the National Association of Governmental Defined Contribution Administrators (NAGDCA) conference provides an opportunity for continuing education, including fiduciary edification.

Staff noted that conference information and materials can be obtained via the NAGDCA website. Staff stated that the Governor's Office has requested all agencies eliminate out of state travel and Staff's recommendation is an attempt to comply with the Governor's Office request.

Mr. Davie noted the NAGDCA conferences are very valuable, however, he stated he supports Staff's recommendation due to the fact that the information is available online and he noted that no one else in state government is traveling. Mr. Davie opined that making the agency the exception may send the wrong message to Participants. He stated that eliminating out of state travel for the current fiscal year is more in line with the recommendations from the Governor's office, as noted in the most recent letter.

Chairman Barnes noted the Governor's letter requested the Committee make the appropriate changes by October 1. He stated that the conference is prior to this date and requested the Committee take this into consideration. Mr. Barnes stated he agreed with Ms. Comeaux that since the Executive Officer and other members are already committed to attending, it may be burdensome to make this change at this juncture.

Ms. Comeaux stated that eliminating out of state travel is in the spirit of the Governor's letter; however, in no way does it recommend persons pay these amounts personally.

Mr. Davie noted the Governor's letter is requesting changes to the current budget amounts which, regardless of whether they are implemented in September or October, these amounts will save additional monies which can be added to the amount returned to Participants.

A discussion ensued regarding the actual amount which could be saved this fiscal year versus the biennium. Staff noted the cost of the current out of state trip would be a little over \$8,000 and the amount for the biennium totals \$9,894.

Mr. MacKay inquired about the amount which has already been paid which would likely be forfeited in the event no one attends the conference. Staff noted the \$1,650 in registration fees would most likely not be returned, in addition the plane tickets would most likely be returned as a credit and not cash.

A discussion ensued regarding whether Committee members, Mr. Barnes and Mr. Reed, would attend the conference, if expenses were not reimbursed. Mr. Reed indicated he had purchased non-refundable plane tickets but was unsure of his ability to attend, if expenses were not reimbursed. Mr. Barnes indicated he would most likely not attend. The Executive Officer previously indicated that she would attend regardless.

Motion restated by Brian Davie to accept 100% reduction in the out of state travel budget for both current and biennium years. Motion failed with one in favor and 4 opposed.

Motion made by Vice Chair Rex Reed to accept the recommendation to reduce the biennium out of state travel budget by 100%, seconded by Ms. Diane Comeaux.

Mr. MacKay noted that Mr. Davie makes a great point regarding the current fiscal year savings. Mr. MacKay stated that he wants to follow the Governor's intent for travel in this fiscal year, as well as in the biennium. He questioned Staff regarding any compromised savings that could be achieved with the current out of state conference trip.

Staff noted the ability save approximately \$4,600 savings in hotel and per diem charges. Ms. Comeaux noted this is approximately \$1,500 per person. Mr. MacKay questioned if Staff and those Members attending would be willing to compromise on the expense reimbursement amounts.

Chairman Barnes noted the motion was passed to not reduce the current fiscal year out of state travel funds. He noted that the Vice Chair has a motion regarding the biennium budget reduction on the floor.

Vice Chair Rex Reed reiterated the motion to accept Staff's recommendation to reduce out of state travel for the next biennium by 100%, which motion was seconded by Ms. Diane Comeaux. Motion passed unanimously.

Motion made by Vice Chair Rex Reed to reduce the in state travel for the next biennium by 100%, seconded by Mr. Brian Davie.

Discussion ensued with Vice Chair Rex Reed and Mr. Davie commenting on Mr. Davie's travel to meetings from southern Nevada.

Ms. Comeaux clarified that the motion is a reduction in in-state travel for the upcoming biennium and does not include the current fiscal year. Ms. Diane Comeaux noted that she was not in favor of reducing the out of state travel for the upcoming conference due to the commitments that had been made to the two Members and Staff but would be willing to support a reduction in current year in-state travel because the choice would be available and no commitments had been made.

Mr. Davie noted he would also support a reduction in in-state travel for the current fiscal year, following the current meeting.

Staff indicated an elimination of in-state travel also affects Staff's ability to travel to Las Vegas and the rural areas for Participants' meetings, such as Financial Education Day(s).

Ms. Comeaux noted that if the Committee is directing Staff to travel then the Plan should reimburse those expenses. She stated that the Committee makes choices regarding the budget and a requirement to travel should result in Staff's reimbursement for expenses.

A discussion ensued regarding the appropriate amount of travel expense for in-state travel.

Motion amended by Vice Chair Rex Reed that the line item for in-state travel for the upcoming biennium be calculated by Staff, including staff travel needs and one annual trip for Mr. Davie, seconded by Mr. Brian Davie. Motion passed unanimously.

Motion was made by Vice Chair Rex Reed to accept Staff's recommendation to reduce the NAGDCA registration fees by 100%, seconded by Mr. Brian Davie. Motion passed unanimously.

Staff noted the registration fees are directly related to the conference only and do not affect the Committee and Staff's ability to receive access to the NAGDCA website and webcasts.

Motion was made by Vice Chair Rex Reed to accept Staff's recommendation to reduce non-state rent by 100%, seconded by Ms. Diane Comeaux. Motion passed unanimously.

Staff noted these monies have been used in the past for room rent in Reno for the Nevada Financial Education Days.

Motion was made by Vice Chair Rex Reed to accept Staff's recommendation to reduce the printing and postage expenses by 80% for the next biennium, which totals \$30,274, seconded by Ms. Diane Comeaux.

Mr. MacKay questioned Staff regarding the mechanics of the savings and questioned if this reduction will affect the Plan's frequency of communications to Participants.

Staff indicated the newsletter would be sent electronically to all active Participants and retirees would continue to receive the newsletter via US Mail unless they indicated the desire to receive the information electronically. Staff also noted this would not reduce the frequency of communications to Participants but rather utilize more electronic means.

Ms. Comeaux clarified that the motion only includes the upcoming biennium and does not include the current fiscal year. She requested the motion be amended to include the current fiscal year and that any savings be returned to Participants at the end of the fiscal year.

Vice Chair Rex Reed questioned whether the monies would be returned to Participants or placed in the Plan's reserve and balanced forward. He requested the Plan place this money in the reserves to be balanced forward rather than be returned to Participants. Ms. Comeaux indicated that if the purpose of these reductions is to return money to the Participants, then the monies should not remain in reserve. She noted she has worked with Staff to ensure the reserve is kept at an adequate amount that isn't too high.

Vice Chair Rex Reed questioned Staff regarding the total savings for this fiscal year for the proposed reductions. Staff indicated the savings would be approximately \$11,250.

Motion was amended by Vice Chair Rex Reed to accept Staff's recommendation to reduce the printing and postage expenses by 80% for the upcoming biennium and 75% for the current biennium, which totals approximately \$41,524, seconded by Ms. Diane Comeaux. Motion passed unanimously.

Motion made by Vice Chair Rex Reed to reduce the office lease for the next biennium, which totals approximately \$8,784, seconded by Mr. Andrew MacKay. Motion passed unanimously.

Motion made by Vice Chair Rex Reed to reduce the phone, fax and communication line charges by 50% for the next biennium, which totals approximately \$1,520, seconded by Mr. Brian Davie. Motion passed unanimously.

Motion made by Vice Chair Rex Reed to reduce the part-time staff charges by 50% for the next biennium, which totals approximately \$13,139, seconded by Mr. Andrew MacKay.

Mr. MacKay questioned whether the communications sent by the Plan will continue with the recommended reduction in administrative assistance. Staff indicated it will make the reduction work and continue with the necessary communications and commitments.

Ms. Comeaux questioned the number of hours this would now allow the part-time staff to work. Staff indicated part-time Staff currently works 20 hours per week and this would reduce the time to 10 hours per week.

Mr. Davie indicated this reduction is concerning due to the work that part-time staff is doing on a variety of issues, such as compiling survey results, website upkeep, Participant mailings, and other items. Mr. Davie indicated he is concerned the Committee would be doing a disservice to Staff by reducing this assistance.

Ms. Comeaux also noted the likelihood that it would be a disservice to the Participants with this reduction.

Staff indicated that with the increase in Plan communications, it would be concerning that Participants inquiries and requests would not be returned timely due to the reduction in part-time staff hours.

Vice Chair Rex Reed noted he would be concerned that this reduction would hamper the service to the Participants.

Motion failed unanimously.

Motion made by Vice Chair Rex Reed to reduce the conference call charges by 50% for the next biennium, which totals approximately \$409, seconded by Mr. Brian Davie.

A discussion ensued regarding the reasons for this reduction and potential ramifications.

Motion passed unanimously.

Motion made by Vice Chair Rex Reed to reduce the operating supplies by 50% for the next biennium, which totals approximately \$642, seconded by Mr. Brian Davie.

Ms. Comeaux noted that Staff has already reduced the operating expenses by 50% from the current biennium and does not support another 50% reduction in operating supplies.

Mr. MacKay noted the ability to recycle the binders, tabs and other means which can help with the biennium savings.

Motion failed unanimously.

Motion made by Vice Chair Rex Reed to reduce the toner charges by 50% for the next biennium, which totals approximately \$3,380, seconded by Andrew MacKay.

A discussion ensued regarding the current cost of toner and potential ramifications of the proposed reduction, including the effects on participant communications.

Motion failed unanimously.

A discussion ensued regarding both the service provider contracts and payments, and the investment consultant contracts. Staff clarified that the current fiscal year fee with the investment consultant has been reduced by \$10,000. Mr. MacKay directed Staff to continue to negotiate with the investment consultant for additional savings for the upcoming biennium.

III. COMMITTEE

A. NAGDCA Conference* ([Audio: 11:04AM](#))

Staff updated the Committee on the NAGDCA Conference and Provider site visit. (Please see [Exhibit A-4](#)).

Mr. Davie pointed out the Plan's ethics policy is in accordance with state law requiring disclosures of any gifts/meals over \$25. He noted that members and Staff can either accept the gift and complete the disclosure form or pay the difference above \$25. Mr. Davie also requested Staff begin to include the disclosure forms in the Committee packets.

IV. PROGRAM REPORT

A. Plan Activity as of 6/30/10 ([Audio: 11:17AM](#))

Staff reported the plan activity for June 30, 2010. (Please see [Exhibit A-5, pages 1 – 6](#)).

Ms. Comeaux questioned the change in contribution amounts and asked Staff if a three-pay period month is the cause of the spike. Mr. Reed questioned whether the number of retirements was the cause of the decrease in the prior quarters. Staff indicated the need to research these issues to provide additional information.

Mr. MacKay questioned the reasons for the increase in new enrollments, yet a decrease in the total number of Participants. Staff indicated a need to research these issues to provide additional information.

B. Annual review of Performance indicators ([Audio: 11:24AM](#))

Staff provided current information regarding the Plan's performance indicators. Staff noted the national average participation rate according to NAGDCA surveys in 2009 was 29% while the Plan's rate was at 32% during the same time period. (Please see [Exhibit A-5, pages 7-11](#) and [Exhibit A-6.](#))

Mr. Davie asked if there were fewer 4-5 stars because of the decline in the market. Staff indicated its access to Morningstar information is limited to the funds within the Nevada plan and not the overall universe of funds within Morningstar. Staff noted that the Plan's funds do have fewer 4-5 stars.

Mr. Doug Skelley, Hartford representative, stated that Morningstar only allows a certain percentage of funds to have 4-5 star ratings. Mr. Skelley noted that the star ratings are quantitative and not qualitative and that performance has suffered due to the large bets that were placed by active managers in the Plan's funds in 2008.

Ms. Comeaux questioned Staff about the percent of customer calls to providers answered within 20 seconds and why the percentage goal for Hartford is 80%, yet 90% for ING. Staff noted the goal for both Hartford and ING is 80%.

C. Hartford Organizational Structure Update ([Audio: 11:35AM](#))

Staff noted Hartford had provided information recently regarding corporate changes and requested a Hartford representative provide additional information regarding the restructuring. (Please see [Exhibit A-7.](#))

Mr. Bill Abramowitz, Hartford representative, stated Hartford's new goal is to be customer – focused rather than product focused. Mr. Abramowitz opined that Hartford will be organizing the company into three customer growth initiatives: commercial markets, property and casualty, and wealth management. Mr. Abramowitz stated the wealth management section will be providing retirement savings solutions, income and estate planning solutions, and consumers and small business solutions.

Mr. Davie asked Hartford, for the future, to include information to the Committee regarding how these types of management or structural changes affect Nevada and the Participants.

V. INVESTMENT REPORT

A. Investment Structure Evaluation Discussion/Recommendations* ([Audio: 11:44AM](#))

Staff discussed the analysis surrounding recommendations to reduce the number of options in the small and mid actively managed investment options in the Plan. (Please see [Exhibit A-5, pages 12 – 20](#) and [Exhibit A-8.](#))

Vice Chair Rex Reed noted the need to balance the needs of the more sophisticated investor with those persons who are not participating in the Plan. He continued by stating that limiting the number of options could be a concern for the Plan's more sophisticated investors. Staff indicated these type of investors are the primary reason the Plan has self-directed brokerage option accounts (SDBA) available. Staff stated SDBAs allow Participants to invest in nearly any mutual fund, in addition to individual stocks and bonds. Ms. Comeaux asked if the Participant can get any option available through the provider or available in the market. Staff stated with a few exceptions, generally any option in the market is available through the SDBA.

Hartford representatives discussed the Hartford Investment Offering Review Handout (Please see [Exhibit A8-i.](#))

Mr. Davie asked Mr. Skelley, Hartford, if it would be in favor of having more options and its opinion on the optimal number of options. Mr. Skelley stated Hartford would recommend the Plan have a fund in each style box or category. He noted Hartford would, however, be in favor of possibly removing the small and mid cap actively managed blend funds and the global funds. Mr. Skelley stated Hartford would not recommend sector funds, such as a gold fund, but would rather direct Participants to the SDBA for these types of funds.

Mr. Davie noted concern regarding funds in the small to mid category that drift in style from blend, growth and value. He noted the funds that drift in style often cause the most time and attention. Mr. Davie stated that often these funds need to be replaced and this becomes frustrating to both the Committee and the Participants. Mr. Skelley noted that funds will drift and underperform; however, having a variety of choices for Participants can assist with this issue.

Vice Chair Rex Reed noted that it is the Participants' choice to either keep money in the funds or to transfer those monies. He stated that Participants may suffer the consequences for poor investment choices.

Ms. Comeaux asked if instead of changing the Plan, we could better educate the Participants. She is concerned with changing the Plan structure significantly without educating the Participant or more fully understanding the Participants' needs.

Mr. Davie noted the Committee may want to consider survey questions which assist with these investment issues to better understand Participants' wants, needs and educational level.

Ms. Comeaux recommended Staff post educational information on the website and newsletter to help explain the pitfalls of market timing. She noted it may be beneficial to post information regarding Staff's analysis on the website to demonstrate the issues.

Vice Chair Rex Reed indicated age and characteristics need to be taken into consideration when the Committee reviews the investment strategies of Participants. He noted that when the Committee limits the number of options, it is treating people as the same.

Mr. Ken Ervin, Participant, questioned why the Committee was spending time and energy on these funds with small amounts of funds and Participants. Mr. Ken Ervin noted by reducing this category of funds the Plan could possibly save time and monies.

B. ING Custom Portfolios Underlying Fund Changes* ([Audio: 12:33PM](#))

Staff provided an update on the potential changes in the underlying funds of the ING Custom Portfolios and requested a deferral on this item to explore other investment vehicles with ING and Mercer. (Please see [Exhibit A-9.](#))

Mr. MacKay asked Staff if the redemption fee is a common feature. Staff noted it is a common feature among international funds.

C. Financial Reform and Regulatory Update ([Audio: 12:36PM](#))

Staff provided an informational update regarding current and potential changes to Department of Labor regulations which may affect the Plan. Staff noted this is an informational item only and no action is recommended. (Please see [Exhibit A-5, Page 21](#) and [Exhibit A-10.](#))

D. Investment Education presentation by Mercer ([Audio: 12:41PM](#))

Mercer representatives presented an educational seminar entitled *Manager Due Diligence Education Session*. (Please see [Exhibit A-11](#).)

Mr. Davie asked Mercer representatives how the fund searches Mercer conducts square with the providers' access to the different funds.

Mercer stated it prefers to review the entire fund universe and select a 'short list' of funds to be presented to the Committee. Mercer noted that when the Committee selects the fund, Mercer will then work with the provider to determine if the fund is currently available. Mercer stated that when the fund is not on the service provider's platform, Mercer will help facilitate the process and bring the investment manager and record keeper together to work with the legal documentation and to negotiate fees to get the fund on the platform.

Mr. MacKay questioned Mercer regarding the amount of staff utilized for fund analytics. Mercer stated there is a staff of about 80 people around the world dedicated to investment research. Mercer also noted 15-20% of their budget is dedicated to investment research.

E. Investment Offering Review presentation by Mercer and Staff for period ending June 30, 2010* ([Audio: 1:00PM](#))

A Mercer representative presented a quarterly performance review of the Deferred Compensation Program investment options for the period ending June 30, 2010. (Please see [Exhibit A-12](#)).

Motion made by Mr. Brian Davie to direct Staff to work with Mercer and Hartford to find a suitable set of replacements for the AllianceBernstein International Value Fund for the Committee to consider, seconded by Vice-Chair Rex Reed. Motion passed unanimously.

F. Fund Watch List Approval* ([Audio: 12:33PM](#))

Ms. Comeaux questioned the funds listed on Staff's presentation. Staff indicated the funds, Lazard US Mid Cap Equity Fund and Keeley Small Cap Value were listed in the event the Committee decided to consolidate the funds in the small and mid-cap categories; however, Staff noted these changes were not made by the Committee; therefore, the funds will not be removed from the Plan or placed on the Watch list. (Please see [Exhibit A-5, Page 22](#) and [Exhibit A-12, Pages 2-3](#))

▪ Hartford General Account	Remain on Watch
▪ Invesco Van Kampen Equity & Income	Remain on Watch
▪ AllianceBernstein Intrntl Value	Terminate/Replace
▪ Lazard U.S. Mid Cap Equity	Remain on Watch
▪ Oppenheimer Main Street Small Cap	Remain on Watch
▪ Mutual Global Discovery	Remain on Watch

Motion made by Mr. Brian Davie to approve the Committee's Fund Watch list as amended, seconded by Vice Chair Rex Reed. Motion passed unanimously.

VI. ADMINISTRATION

A. Demographic Information and Non-Participant Questionnaire Results ([Audio: 1:29PM](#))

Staff noted, pursuant to the 2010 planning meeting, the Committee identified the desire to review the demographic information for state government employees. Staff stated although

it does have some information, it will provide a report at the November meeting. Staff also provided a report regarding results from a non-Participant questionnaire. (Please see [Exhibit A-5, Pages 23-26](#) and [Exhibit A-13.](#))

B. Service Provider Simplified Enrollment Forms* ([Audio: 1:33PM](#))

Staff presented information and sought approval for new simplified enrollment forms for both service providers. (Please see [Exhibit A-14](#) and [Exhibit A-5 Pages 27-28](#))

Vice Chair Rex Reed asked Staff if the Participant receives the simplified enrollment form, will he also receive information on the various options available. Staff responded that enrollees will receive a complete kit, either at the time of enrollment or following the completion of the form.

Mr. MacKay questioned if someone signs up with the simplified enrollment form, does the provider follow up with the Participant at a later date. Staff stated it is Staff's intention to contact the Participant at later date to ensure he understands the additional investment options available in the Plan.

Hartford and ING representatives stated after enrollment, there will be a 30-day follow up as well as a year anniversary follow up with the Participant.

A discussion ensued regarding the mechanics of the forms and how best to utilize these forms to reduce Participant confusion.

Motion made by Vice Chair Rex Reed to approve the two simplified enrollment forms, including the default investment options, as submitted or amended, seconded by Mr. Andy MacKay. Motion passed unanimously.

C. Annual Participant Survey ([Audio: 1:45PM](#))

Staff presented the annual Participant survey. Staff indicated the survey will be available via the website, including a mass e-mail that will be sent to all state government employees and government representatives. Staff noted the survey will also be sent with the service providers third-quarter statements. (Please [Exhibit A-15.](#))

D. Resolution of Financial Audit Issue from FY 09 Audit* ([Audio: 1:46PM](#))

Staff represented the financial audit resolution report. (Please see [Exhibit A-16.](#))

Motion made by Vice Chair Rex Reed to approve Staff's resolution report, as submitted, seconded by Mr. Brian Davie. Motion passed unanimously.

E. Plan Document Review* ([Audio: 1:47PM](#))

Staff recommended amendments to the regular plan documents and the FICA-Alternative Plan documents, which include adding provisions relating to the Nevada domestic partner statute. (Please see [Exhibit A-17](#), [Exhibit A-17i](#) and [Exhibit A-17ii.](#))

Motion made by Vice Chair Rex Reed to approve both the regular plan document and the FICA-Alternative Plan document as submitted by staff including the new changes, seconded by Ms. Diane Comeaux. Motion carried unanimously.

VII. RATIFICATION AGENDA* ([Audio: 1:50PM](#))

Motion made by Vice Chair Rex Reed to approve the Ratification Agenda items as submitted, seconded by Mr. Brian Davie. Motion passed unanimously.

VIII. REPORT SECTION ([Audio: 1:51PM](#))

Staff noted the current budget information. Staff thanked Ms. Diane Comeaux for assisting Staff with projections for the fiscal year. A discussion ensued regarding various budgetary issues. ([Please see Exhibit A-18.](#))

IX. COMMENTS ([Audio: 1:53PM](#))

A. Public

- Mr. Kent Ervin thanked the Committee for the reductions in the budget. Mr. Ervin stated the elimination of the Executive Officer would not be beneficial because this position assists with the reduction of expenses to participants. He recommended a few options to further reduce expenses which include, simplifying the plan, reducing the number of options, and reducing frequency of audits. Mr. Ervin also mentioned that the Morningstar ratings as a performance indicator are problematic because in order for the performance indicators to be positive, participants must buy high and sell low. Mr. Ervin believes this is the wrong message for participants.

B. Investment Consultant/Service Providers had no comments.

C. Deputy Attorney General had nothing to report.

D. Committee Members

- Mr. Davie distributed a statement for the record. He was concerned that the 2009 newsletters were not submitted for a NAGDCA award due to the perceived negativity regarding their content. Mr. Davie stated it is the Committee's fiduciary duty to supply information to Participants, even if seemingly unflattering to the service providers or any contractor for the Plan. Mr. Davie noted it is not fair to judge the previous Committee Members' actions without understanding the situation. (Please see [Exhibit A-19.](#))
- Vice Chair Rex Reed thought Mr. Davie's comments were fair regarding his statement for the record. He also asked Staff to quantify the savings that were agreed upon during the meeting and to supply those findings to the Committee Members ASAP. Mr. Reed also requested the savings to be split by fiscal and biennium savings.
- Ms. Comeaux asked Chairman Barnes if he will be responding to the Governor's letter addressed to the Committee, and if so, to supply the Committee Members with his response. Mr. Barnes stated he will respond and will forward copies of his response to the Committee Members.
- Mr. MacKay thanked Staff for the responses to his questions from the last few days. He also thanked the providers and Mercer for being available to answer any questions.

E. Staff had no comments.

X. ADJOURNMENT

The meeting was adjourned at 2:01 PM.

Respectfully Submitted:

Jenny Potts
Administrative Assistant

Approved by:

Tara Hagan
Executive Officer

LIST OF EXHIBITS

- Exhibit A: Staff booklet, Tab I-B, May 20, 2010 Meeting Minutes
- Exhibit A-1: Staff booklet, Tab I-C Meeting Dates
- Exhibit A-2: Letter from Office of the Governor dated August 13, 2010 regarding budget cuts
- Exhibit A-2i: Staff Cost Reduction Memo
- Exhibit A-2ii: Nevada Appeal article, titled *Meeting held to Streamline Boards*.
- Exhibit A-2iii: Letter from the Office of the Governor dated June 30, 2010.
- Exhibit A-3: Staff booklet, Tab IV-A, Biennium Budget Discussion
- Exhibit A-4: Staff booklet, Tab I-D, NAGDCA Conference
- Exhibit A-5: Staff Presentation, Pages 1 - 28
- Exhibit A-6: Staff booklet, Tab II-B, Annual Performance Indicator Review
- Exhibit A-7: Staff booklet, Tab II-C, Hartford Organizational Structure Update
- Exhibit A-8: Staff booklet, Tab III-A, Investment Structure Recommendations
- Exhibit A8i: Hartford *Investment Offering Review* presentation
- Exhibit A-9: Staff booklet, Tab III-B, ING Custom Portfolio Underlying Fund Changes
- Exhibit A-10: Staff booklet, Tab III-C, Financial Reform Regulatory Update
- Exhibit A-11: Mercer Presentation entitled, *Manager Due Diligence Education Session*.
- Exhibit A-12: Mercer Investment Report dated Second Quarter 2010 for period ending June 30, 2010, entitled *Performance Evaluation, State of Nevada*
- Exhibit A-13: Staff booklet, Tab IV-B, Demographic Information and Non-Participant Questionnaire Results
- Exhibit A-14: Staff booklet, Tab IV-C, Simplified Enrollment Form
- Exhibit A-15: Staff booklet, Tab IV-D, Annual Participant Survey
- Exhibit A-16: Staff booklet, Tab IV-E, Financial Audit Resolution Report
- Exhibit A-17: Staff booklet, Tab IV-F, Plan Document Review
- Exhibit A-17i: Nevada Deferred Compensation Plan Document
- Exhibit A-17ii: Nevada Deferred Compensation FICA-Alternative Plan Document
- Exhibit A-18: Current Budget Information
- Exhibit A-19: Statement for the Record from Mr. Brian Davie.
- Exhibit B: Hartford Quarterly handout
- Exhibit C: ING Quarterly handout